



U.S. SENATE BANKING COMMITTEE

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DODD RESPONDS TO TREASURY SECRETARY'S COMMENTS

Washington, D.C. – Senator Chris Dodd (D-CT), Chairman of the Senate Banking Committee, today responded to Treasury Secretary Henry Paulson's statement that the Treasury Department would soon announce a plan to modify and refinance loans for certain subprime mortgage borrowers.

“Secretary Paulson’s comments this morning that the Administration has taken action to stop predatory lending strain credulity. The Administration has repeatedly failed to use the tools at its disposal to protect homebuyers from abusive lending. The Administration has been late to recognize the severity of the problem and slow to act. As recently as two weeks ago, media reports indicate that Secretary Paulson was dismissive of the idea of broad-based loan modifications.

“If Secretary Paulson and the Administration are truly serious about helping American homeowners who have been preyed upon by unscrupulous and abusive lenders, I urge them to push servicers to adhere to the principles that they previously agreed to at the Homeownership Preservation Summit I convened earlier this year. These principles require that loan modifications must provide for long-term affordability and any loan modifications must be broad-based and transparently made. Modifications also need to be made available to borrowers who have become delinquent because of loan resets, but who had been current prior to that. These homeowners should not be punished because of the abusive loans they were sold. Any plan from the Administration that falls short of this goal of providing long-term affordability will merely defer mass foreclosures to a later date.

“In addition, the Fed is currently writing a rule that could potentially provide great protection to homeowners under the Home Ownership and Equity Protection Act (HOEPA) of 1994. This rule must establish strong, comprehensive requirements and remedies designed to protect homeowners and homebuyers from predatory lending.”